

October 7, 2022

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: **2022 Gas Cost Recovery Filing - Docket No. 22-20-NG**
2022 Distribution Adjustment Charge Filing – Docket No. 22-13-NG

Dear Ms. Massaro:

Please accept this letter as a supplement to the October 5, 2022 response of The Narragansett Electric Company d/b/a Rhode Island Energy¹ to the Direct Testimony of Jerome D. Mierzwa on behalf of the Rhode Island Division of Public Utilities and Carriers' (the "Division") in Docket No. 22-20-NG.

Through Mr. Mierzwa's testimony the Division recommended "that the Company update its GCR rate projections in its rebuttal testimony to reflect the most recent projections of gas supply commodity prices if doing so results in a material change in GCR rates (e.g., 5 percent)."² As suggested, the Company has undertaken this analysis using a NYMEX reference date of October 3, 2022, at which point NYMEX prices had decreased from the prices on the August 5, 2022 reference date the Company used to prepare the Gas Cost Recovery ("GCR") filing.

¹ "Rhode Island Energy" or the "Company".

² Direct Testimony of Jerome D. Mierzwa, p. 28, lines 13-16.

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As a result of the NYMEX price changes, the Company's forecasted gas costs for the 2022/23 GCR year have decreased by 2.6% as shown in the following table.³

GCR Recovery Component (\$s)	RIPUC Docket No.	As-Filed (NYMEX: 8/5/2022)	Update (NYMEX: 10/3/2022)	Difference (\$)	Difference (%)
GCR - Allocated Supply Fixed Costs		\$79,512,158	\$79,511,137	\$ (1,022)	0.0%
GCR - Total Variable Supply Costs	GCR (22-20-NG)	\$105,223,844	\$100,513,497	\$ (4,710,347)	-4.5%
GCR - Total		\$184,736,002	\$180,024,634	\$ (4,711,368)	-2.6%

While the actual decrease in NYMEX prices from August 5 to October 3, 2022 was greater than 2.6%, the Company's hedging practices and advance procurement of gas, which are intended to mitigate price volatility for customers, also limit the effect of day-to-day fluctuations on the entirety of the Company's supply portfolio. The resulting bill impacts of changing commodity prices are similarly moderated.

Although the Division did not specifically recommend an adjustment of rates if the change in NYMEX prices did not result in a material change in proposed GCR rates,⁴ the Company recognizes that there are somewhat unique circumstances and challenges presented by natural gas market conditions that are impacting the Company's gas and electric customers this winter, as explained in the prefiled direct testimony of Company witness Paul J. Hibbard. To help alleviate these impacts, the Company proposes a downward adjustment to the rates submitted in its GCR filing and 2022 Distribution Adjustment Clause filing in Docket No. 22-13-NG to reflect the lower gas costs. In conjunction with customer bill credits afforded through the Commission's order in Docket 22-07-GE, the projected bill increase for the average residential heating customer using 845 therms per year will decrease from the 15% proposed in the Company's original DAC and GCR filings to an increase of 9.6% as set forth in the following table.

Residential Heating (845 Therms)	Bill Impact: As-Filed (8/5/2022 NYMEX)	Incremental Bill Impact: Use of 10/3/2022 NYMEX	Incremental Bill Impact: Customer Bill Credit	Bill Impact: Updated	Updated Bill Increase (%)
Annual Bill at Current Rates	\$ 1,514.68	\$ -	\$ -	\$ 1,514.68	
Demand Costs Allocated to DAC	\$ 133.93	\$ -	\$ -	\$ 133.93	8.8%
Net Increase in Other DAC Components	\$ 12.78	\$ (0.29)	\$ -	\$ 12.49	0.8%
Net Increase in GCR	\$ 73.70	\$ (15.04)	\$ -	\$ 58.66	3.9%
Customer Bill Credit	\$ -	\$ -	\$ (64.15)	\$ (64.15)	-4.2%
Net Increase in Gross Earnings Tax	\$ 6.82	\$ (0.48)	\$ (1.98)	\$ 4.36	0.3%
Annual Bill at Proposed Rates	\$ 1,741.91	\$ (15.81)	\$ (66.13)	\$ 1,659.97	9.6%

³ A change in the Company's gas costs results in very minor changes to the costs to be recovered through the Low-Income Discount Recovery Factor and Uncollectible Adjustment Factor of the Company's Distribution Adjustment Charge ("DAC") totaling a reduction of \$84,441 or 0.1%.

⁴ The Division's testimony suggests that a 5% variation in rates would be material enough to warrant a rate adjustment. This aligns with the threshold in the Company's gas tariff for the filing of interim GCR rate adjustments.

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The rate class specific changes in the Company's proposed DAC and GCR factors are as follows:

Factor	RIPUC Docket No.	As-Filed (NYMEX: 8/5/2022)	Update (NYMEX: 10/3/2022)	Difference (\$)	Difference (%)
GCR Charge - High Load (\$ per therm)	GCR (22-20-NG)	0.6315	0.6136	\$ (0.0179)	-2.8%
GCR Charge - Low Load (\$ per therm)	GCR (22-20-NG)	0.7009	0.6831	\$ (0.0178)	-2.5%
FT-2 Demand (\$ per MDCQ Dth)	GCR (22-20-NG)	14.8192	14.8234	\$ 0.0042	0.0%
FT-1 TSS (\$ per therm)	GCR (22-20-NG)	0.1168	0.1169	\$ 0.0001	0.1%
Res-NH - DAC Factor (\$ per therm)	DAC (22-13-NG)	0.3716	0.3713	\$ (0.0003)	-0.1%
Res-NH-LI - DAC Factor (\$ per therm)	DAC (22-13-NG)	0.3475	0.3475	\$ -	0.0%
Res-H - DAC Factor (\$ per therm)	DAC (22-13-NG)	0.3716	0.3713	\$ (0.0003)	-0.1%
Res-H-LI - DAC Factor (\$ per therm)	DAC (22-13-NG)	0.3475	0.3475	\$ -	0.0%
Small - DAC Factor (\$ per therm)	DAC (22-13-NG)	0.3805	0.3802	\$ (0.0003)	-0.1%
Medium - DAC Factor (\$ per therm)	DAC (22-13-NG)	0.3249	0.3246	\$ (0.0003)	-0.1%
Large LL - DAC Factor (\$ per therm)	DAC (22-13-NG)	0.2956	0.2954	\$ (0.0002)	-0.1%
Large HL - DAC Factor (\$ per therm)	DAC (22-13-NG)	0.2884	0.2882	\$ (0.0002)	-0.1%
XL-LL - DAC Factor (\$ per therm)	DAC (22-13-NG)	0.2602	0.2600	\$ (0.0002)	-0.1%
XL-HL - DAC Factor (\$ per therm)	DAC (22-13-NG)	0.2394	0.2392	\$ (0.0002)	-0.1%

It is important to note that the Company's proposed modified factors have been adjusted solely to account for changes in NYMEX prices. There remain many other variables that will impact the Company's cost of gas over the coming GCR year including, without limitation: the outcome of FERC rate cases and, assuming FERC approval, the implementation of adjusted pipeline rates as a result thereof, variations in weather and customer demand, the unanticipated deployment of portable LNG equipment and the finalization of contracts for LNG trucking and other similar gas supply related services. The NYMEX price itself will continue to fluctuate daily as well. For example, between the original NYMEX reference date (August 5, 2022) and the reference date the Company used to recalculate the DAC and GCR factors (October 3, 2022), there was a significant spike in NYMEX prices occurring in mid to late September. Such volatility could continue throughout the GCR year.

Because of the constant variability in commodity prices, the Company does not recommend as a general matter that it update its GCR calculations after a reference date has been selected for an annual GCR filing. As explained, the selection of certain reference dates between August 5 and October 3, 2022 could have led to a significantly higher forecast of gas costs. Conversely, the selection of a reference date with artificially low commodity prices could lead to a significant under-recovery that would be carried over into a following GCR year if commodity prices later increased. To avoid rate shock, the Company monitors and reports its over- or under-recovery monthly and can address such variances through interim GCR filings when appropriate.⁵ There is also a risk that adjustments to proposed GCR and DAC factors will result in inaccurate price signals to customers who have some limited, but important, ability to moderate gas consumption. The GCR mechanism in the Company's tariff recognizes and seeks to balance these concerns through the

⁵ Interim rate adjustments late in a GCR year are not an ideal mechanism for reconciliation of an under-recovery because, in warmer months, the sales volumes are such that the factor increases to recover a deferred GCR balance could be significant.

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reconciliation process and the availability for interim GCR factor adjustments. However, the updated analysis having already been performed, and given the unprecedented and challenging circumstances for this year's GCR period, the Company believes that it is reasonable to adjust the previously submitted GCR factor to reflect the lower commodity prices and mitigate the price increase to customers.

The change in NYMEX prices results in changes throughout the schedules presented in the Company's GCR and DAC filings. The update in commodity prices affects the Company's dispatch plans, hedge valuations, GCR factors, bill impacts analyses, and certain DAC factors. The time required to update these schedules does not allow for the filing of a new set of schedules in advance of the October 11, 2022 hearings in the DAC and GCR dockets. Consequently, the Company has presented the updated calculations in this letter for illustrative purposes and will address any resulting questions at the upcoming hearing. The Company proposes that it update the attachments to pre-filed testimony after the hearing as a compliance filing so that the information is available to the Commission in advance of its deliberations at an open meeting to rule upon the Company's proposed DAC and GCR factors.

Please contact me if you have any questions.

Very truly yours,



Steven J. Boyajian

Copy to: 22-20-NG Service List
22-13-NG Service List

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.

Leticia Pimentel

Leticia Pimentel

October 7, 2022

Date

**Docket No. 22-20-NG – The Narragansett Electric Co. d/b/a Rhode Island Energy – 2022 Annual Gas Cost Recovery Filing (GCR)
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Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

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Leticia Pimentel

Leticia Pimentel

October 7, 2022

Date

**Docket No. 22-13-NG – Narragansett Electric Co. d/b/a RI Energy – 2022
Annual Distribution Adjustment Charge Filing (DAC) –
Service List as of 9/20/22**

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